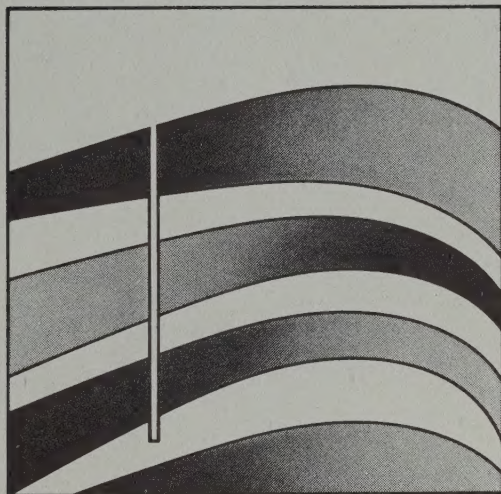


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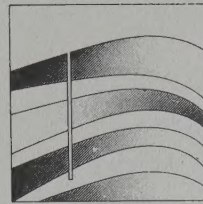
TWENTIETH  
CENTURY  
EXPLORATIONS  
INC



ANNUAL  
REPORT '78







## **Officers**

1

J.S. Belton, *President*

Peter Jarvis, *Vice-President*

Hyman S. Goldstein, *Secretary-Treasurer*

## **Directors**

J.S. Belton

Peter Jarvis

Gerard Lanthier

Hyman S. Goldstein

## **Registrar and Transfer Agents**

Metropolitan Trust Company

Toronto, Ontario and Montreal, Quebec

## **Auditors**

MacGillivray & Co.

Toronto, Ontario, Canada

## **Head Office**

Suite 600

55 University Avenue

Toronto, Ontario, Canada

## **Bankers**

Royal Bank of Canada

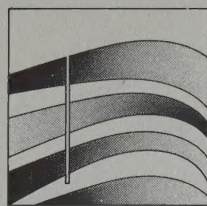
20 King St. West

Toronto, Canada









## Report of the directors

3

DEAR SHAREHOLDER:

Your directors herewith submit their annual report for the year ended September 30, 1978, together with the audited accounts for the period.

During the year your company continued to carry out exploration work on its properties located in Northwestern Quebec. Your directors remain confident that the potential of one or more of your company's properties in the area will ultimately be realized. The more uncertain political conditions in some of the gold producing areas around the world continue to make Quebec and Canada one of the more attractive areas where the geology is conducive to the discovery and development of new gold mines.

The past year continued, however, to be one in which the overwhelming majority of executive time was consumed in dealing with problems created by Quebec and Ontario Securities Commission officials. As shareholders have been advised in previous reports, this company has suffered parallel difficulties related to a conspiracy on the part of provincial government officials to damage an associated company, Malartic Hygrade. It has been necessary for your company to continue to contend with officials of the Ontario and Quebec Securities Commissions who have acted unlawfully to damage your company.

Despite the fact that the Vice Chairman of the Ontario Securities Commission, Harold S. Bray, admitted under oath at a hearing in 1977, that your company had not done anything wrong, he remains a motive force behind efforts to harass and damage your company and its status in the marketplace. The fact is, despite Mr. Bray's statement under oath to the contrary, your company has been victimized in tandem with its sister company, Malartic Hygrade, which Mr. Bray categorized as a parallel case.

I have, during the past year, carried on with my representations to the government in this matter, and have every intention of pursuing it to its ultimate resolution, in the best long term interests of this company and you its shareholders. It is, of course, regrettable that so much time and money is being lost in dealing with wholly unproductive matters of this kind. It is to be hoped, however, that the issues involved will be resolved this current year in order that the whole of your company's efforts may be directed toward productive activities.

In September of 1974, your company obtained financing by way of a convertible income debenture in the amount of \$600,000 (Six Hundred Thousand Dollars). Half of the principal \$300,000 (Three Hundred Thousand Dollars) was repaid during our fiscal year 1977 because the funds could not be applied as originally intended and agreed. The remainder of the debenture issue falls due for repayment in July of this current year. The bankers with or through whom we placed the issue originally have advised your company that no extension would be granted by the debenture holders.

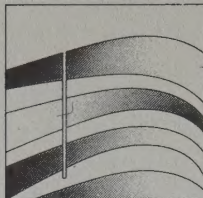
It has been proposed that your company be reorganized and that the existing common share capital be reduced by issuing shareholders one new share for each five shares presently held, and thereafter the debentureholders would be prepared to accept shares in the reorganized company at a price of fifty cents per share in payment for the debentures they presently hold. The name of your company would also be changed to Minefinders Corporation Ltd.

Your directors have given the matter a great deal of consideration for a number of months and have arrived at the conclusion that such a reorganization would be fair and equitable to both shareholders and debentureholders in the circumstances and therefore recommend that shareholders approve reorganization of the company on this basis at the forthcoming annual meeting which will also be designated as a special general meeting for this purpose.

On Behalf of the Board of Directors

J.S. Belton,  
President





## 4 Auditors' report

### To the Shareholders of Twentieth Century Explorations Inc.

We have examined the consolidated balance sheet of Twentieth Century Explorations Inc., as at September 30, 1978, and the consolidated statements of deficit, deferred expenditures and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

As set out in Note 1(c), mining properties and licences are carried on a cost basis. The recovery of these costs is dependent on various development projects, the success of which cannot be forecast at this time.

In our opinion, subject to the ultimate realization of the above noted costs, these consolidated financial statements present fairly the financial position of the company as at September 30, 1978, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario  
December 21, 1978

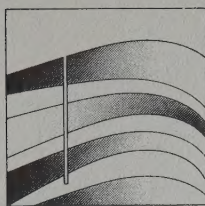
MacGillivray & Co.  
Chartered Accountants

## Consolidated Balance sheet

as at September 30, 1978

	<u>1978</u>	<u>1977</u>
<b>ASSETS</b>		
<i>Current</i>		
Cash and term deposits	\$ 47,068	\$ 51,447
Accrued interest receivable	3,041	10,519
Government of Canada Treasury bills	202,764	—
Prepaid expenses	500	—
	<u>253,373</u>	<u>61,966</u>
<i>Investments</i>		
Government of Canada Bonds	—	202,250
	<u>7,073</u>	<u>7,073</u>
<i>Fixed Assets (Note 2)</i>		
<i>Mining Properties and Licences (Note 3)</i>		
Guercheville Township P.Q.	10,738	10,608
Malartic Township P.Q.	54,005	54,005
Dubuisson Township P.Q.	7,059	7,059
	<u>71,802</u>	<u>71,672</u>
<i>Deferred Expenditures</i>	<u>232,218</u>	<u>221,278</u>
	<u>\$564,466</u>	<u>\$564,239</u>





## LIABILITIES

	1978	1977	5
<i>Current</i>			
Account payable and accrued liabilities	\$ 17,725	\$ 17,478	
Convertible income debenture (Note 4)	300,000	—	
	<u>317,725</u>	<u>17,478</u>	
<i>Convertible Income Debenture (note 4)</i>	—	300,000	
<i>Minority Interest in Subsidiary Company</i>	<u>1,193</u>	<u>1,213</u>	
	<u>318,918</u>	<u>318,691</u>	

## SHAREHOLDERS' EQUITY

### Capital Stock

#### Authorized

5,000,000 shares of no par value aggregate issue  
consideration not to exceed \$5,000,000

#### Issued (Note 5)

3,075,443 shares

#### Deficit

309,725	309,725
64,177	64,177
245,548	245,548
<u>\$564,466</u>	<u>\$564,239</u>

## APPROVED BY THE BOARD

H. Goldstein

Director

Peter Jarvis

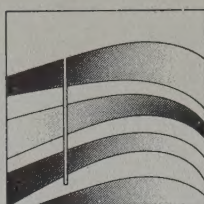
Director

## Consolidated Statement of Deficit

For the Year Ended  
September 30, 1978

	1978	1977
<i>Deficit, Beginning of Year</i>	\$ 64,177	\$ —
Mining Properties and licences written off	—	1,884
Write off of associated deferred expenditures	—	62,293
<i>Deficit, End of Year</i>	<u>\$ 64,177</u>	<u>\$ 64,177</u>

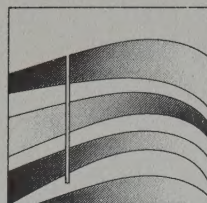




6 **Consolidated  
Statement of deferred  
exploration,  
development and  
administrative  
expenditures**

	<u>1978</u>	<u>1977</u>
<i>Exploration and Development</i>		
<i>Malartic Township</i>		
Feasibility studies	\$ 4,610	\$ 5,775
Government fees and licences	75	—
<i>Dubuisson Township</i>		
Government fees and licences	92	240
	<u>4,777</u>	<u>6,015</u>
<i>Administrative Expenses</i>		
Accounting and audit fees	2,351	1,290
Bank charges	675	822
Consulting fees	6,000	6,100
Directors' fees and expenses	1,291	1,831
Interest	—	22,500
Legal fees	1,843	22,779
Office and general expense	3,020	3,721
Officers' salaries and expenses	5,664	8,127
Printing and stationery	2,111	2,147
Rent and administration charges	3,723	3,500
Transfer agent expenses	3,525	2,071
	<u>30,203</u>	<u>74,888</u>
<i>Total Current Expenditures</i>	34,980	80,903
<i>Interest Income</i>	<u>19,540</u>	<u>47,178</u>
<i>Excess of Expenditures Over Income     Before Following:</i>	15,440	33,725
Gain on sale of Government of Canada Bonds	<u>4,500</u>	<u>8,875</u>
<i>Net current expenditures</i>	10,940	24,850
<i>Deferred expenditures, beginning of period</i>	<u>221,278</u>	<u>258,721</u>
Costs related to leases expired, charged to deficit	<u>—</u>	<u>62,293</u>
<i>Deferred expenditures, end of period</i>	<u><u>\$232,218</u></u>	<u><u>\$221,278</u></u>





## Consolidated Statement of changes in financial position

For the Year ended  
September 30, 1978

	<u>1978</u>	<u>1977</u>	7
<i>Working capital derived from</i>			
Disposal of investments	\$202,250	\$304,500	
<i>Working capital applied to</i>			
Operations	10,940	9,850	
Reclassification of convertible income debenture	300,000	300,000	
Advances for Rock City Explorations Limited	150	180	
	<u>11,090</u>	<u>310,030</u>	
<i>Decrease in working capital</i>	108,840	5,530	
Working capital, beginning of year	<u>44,488</u>	<u>50,018</u>	
<i>Working capital (deficiency), end of year</i>	<u>(\$ 64,352)</u>	<u>\$ 44,488</u>	

## Consolidated Notes to the financial statements

September 30, 1978

### NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

#### (a) Investments

Investments are valued at cost.

#### (b) Fixed Assets

Fixed assets are recorded at cost. It has been the policy of the company and its predecessors to defer the recording of depreciation on their fixed assets until such assets are utilized in production since such charges would only form a non-cash addition to deferred exploration, development and administrative expenditures.

#### (c) Mining Properties and Licences and Deferred Expenditures

Lease costs, claim costs, associated development costs, and carrying costs are capitalized when incurred. When any lease expires, the cost of the lease plus any related deferred charges are written off to deficit in the year of expiry.

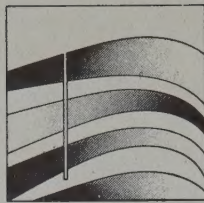
#### (d) Consolidation

These financial statements include the accounts of the company and its subsidiary, Rock City Explorations Limited.

### NOTE 2 – FIXED ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value 1978</u>	<u>1977</u>
Equipment and office furniture	<u>\$7,073</u>	<u>\$ —</u>	<u>\$7,073</u>	<u>\$7,073</u>



**NOTE 3 – MINING PROPERTIES AND LICENCES**

- (a) The company owns two development licences covering a total of 300 acres in the township of Malartic in the Province of Quebec.
- (b) The company owns six development licences covering a total of 520 acres in the township of Dubuisson in the Province of Quebec.
- (c) The company holds an 87% shareholder's interest in Rock City Explorations Limited, which the company acquired in 1961 five unpatented mining claims in the township of Guercheville in the Province of Quebec.

**NOTE 4 – CONVERTIBLE INCOME DEBENTURE**

The 10¼% convertible income debentures are dated August 1st, 1974 and mature July 31, 1979. The debentures are secured by a first fixed and floating charge on all present and future assets of the company. The debentures are convertible at the option of the holders into 200,000 shares of no par value of the company at \$1.50 per share.

Interest on the debentures is payable yearly on August 1, only if the net earnings of the company (as defined in the Trust Deed) for the previous fiscal period exceeds three times the amount required to pay interest for that fiscal period. The debentures are redeemable prior to maturity at par plus a premium of 7½%.

**NOTE 5 – WARRANTS**

In connection with the issuance of the convertible income debenture the company issued warrants entitling the holders to purchase 400,000 common shares at a price of \$2.00 per share up to and including July 31, 1979. To date, no warrants have been exercised.







